Saskatchewan Pension Annuity Fund

Annual Report for 2014-2015

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Government of Saskatchewan

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This annual report is available in electronic format at **www.peba.gov.sk.ca**

Letters of Transmittal

Her Honour, the Honourable Vaughn Solomon Schofield,
Lieutenant Governor of Saskatchewan

May it Please Your Honour:

I respectfully submit the Annual Report of the Saskatchewan Pension Annuity Fund for the fiscal year ending March 31, 2015.

Kevin Doherty
Minister in Charge
Saskatchewan Pension Annuity Fund

The Honourable Kevin Doherty
Minister in Charge
Saskatchewan Pension Annuity Fund

Sir:

On behalf of the Saskatchewan Pension Annuity Fund Board, I have the honour to present herewith the Annual Report of the Saskatchewan Pension Annuity Fund for the fiscal year ending March 31, 2015.

Dave Wild
Chair
Saskatchewan Pension Annuity Fund Board

Introduction

The Saskatchewan Pension Annuity Fund (SPAF) was created for members of the Public Employees Pension Plan (PEPP) who want to purchase an annuity as their source of retirement income. *The Saskatchewan Pension Annuity Fund Act* governs SPAF.

The Fund provides members of PEPP with a life annuity paid for the life of the annuitant based on the:

- market conditions at the time the annuity is purchased;
- amount used to purchase the annuity;
- annuitant's and annuitant's spouse's age;
- guarantee period; and
- survivor benefit.

Once an annuity has been issued, neither the annuitant nor the Plan can change the terms of the agreement.

Any deficiencies in the Plan are paid out of the General Revenue Fund and are the responsibility of the Government of Saskatchewan.

The annual operating expenditures associated with the Fund's administration are paid to the Public Employees Benefits Agency (PEBA) Revolving Fund and are charged to SPAF.

Saskatchewan Pension Annuity Fund Board

Effective April 1, 2005, the Saskatchewan Pension Annuity Fund Board (the Board) was established to administer the Fund. The Board, which consists of three members appointed by the Minister of Finance, is responsible for the administration of *The Saskatchewan Pension Annuity Fund Act*. At March 31, 2015, the Board was composed of the members listed in *Table 1.1*.

Saskatchewan Pension Annuity Fund Board Members	
Vacant	Chair[1]
Lori Taylor	Member
Kevin Banman	Member

Table 1.1

Members of the Board receive no compensation for the performance of their roles as Board members. They are remunerated for reasonable expenses for attending Board meetings and other functions in their capacity as Board members.

Contracted Services

The Board is ultimately responsible for the Fund's administration, communication and investment activities. To discharge these responsibilities, the Board uses the services of various organizations.

Under agreement with the Board, PEBA provides administrative services for the Fund. PEBA is part of the Ministry of Finance, Government of Saskatchewan, and administers a wide range of pension and benefit plans.

Under agreement with the Board, PEBA:

- provides annuity estimates;
- calculates annuity and death benefits;
- prepares statements upon a member's death;
- accounts for all investment transactions; and
- provides executive management services to the Board.

PEBA is responsible for ensuring that all transactions are made in accordance with *The Saskatchewan Pension Annuity Fund Act, The Pension Benefits Act, 1992,* and their related regulations.

The Board retains RBC Investor Services Trust as the Plan custodian and Aon Hewitt as the investment consultant. The Board also retains Greystone Managed Investments Inc. as the investment manager and Aon Hewitt as the actuary.

Purpose

The purpose of the Fund is to provide annuity payments to pensioners who have chosen to purchase annuities through the Fund.

Mission

The Board's mission as the Fund's trustee is to manage the assets and expenses solely in the best interests of the pensioners and their beneficiaries.

1. Subsequent to March 31, 2015, Mr. Dave Wild was appointed Chair.

Operational Goals and Objectives for the Administration of the Fund

At its meeting of June 25, 2014, the Board approved operational goals and objectives for the administration of the Fund for the year ended March 31, 2015. The operational goals and objectives are aligned with the Board's core functions of overseeing the administration of the Fund and providing excellent service to annuitants and their beneficiaries.

The initiatives used to support these goals and objectives are not generally time-bound. Rather, they are initiatives that are required to be undertaken on an ongoing basis.

The following section provides information on activities planned and accomplished during the year ended March 31, 2015 in support of the Board's operational goals and objectives.

Operational Goals and Objectives for the Administration of the Fund

Goal 1: Financial Management

The Board provides sound financial management of the Fund.

Objectives

- The Board ensures the assets of the Fund are invested appropriately by reviewing the Fund's Statement of Investment Policies and Goals (SIP&G) annually.
  - The Board will review the Fund's SIP&G at its meeting on June 22, 2015.
- The Board carries out an actuarial valuation of the Fund at least every three years.
  - The Board reviewed the actuarial valuation of the Fund as at March 31, 2014 at its meeting of June 25, 2014.
- The Board annually reviews and approves the operating budget for the Fund and monitors it quarterly.
  - The Board received quarterly budget updates throughout 2014-2015.
  - The Board approved the operating budget for the Fund for the year ending March 31, 2016 at its meeting of March 30, 2015.

Goal 2: Service Delivery and Communications

The Board provides excellent service to the annuitants of the Saskatchewan Pension Annuity Fund.

Objectives

- The Board administers the Fund in compliance with *The Saskatchewan Pension Annuity Fund Act* and the *Income Tax Act* (Canada).
  - The Board's administrator ensures compliance with *The Saskatchewan Pension Annuity Fund Act* and the *Income Tax Act* (Canada) by monitoring legislative and regulatory developments and keeping the Board informed of any developments requiring the Board's attention.
- Annuitants have access to the information they require.
  - Annuitants have access to a comprehensive range of information about the Fund, the Board, Fund governance, Fund provisions, and investments on the SPAF website.
  - Annuitants can call to speak with SPAF administration to receive answers for any questions they have.
- The Board tables an annual report for the Fund in accordance with *The Tabling of Documents Act, 1991*[2].
  - The SPAF Annual Report for the year ended March 31, 2014 was tabled in the Legislative Assembly on July 17, 2014, in accordance with the requirements of *The Tabling of Documents Act*, 1991.

2. Effective August 15, 2014, tabling of documents is required by the *Executive Government Administration Act*.

Goal 3: Performance Measurement

The Board evaluates the performance of the Plan's service providers.

Objectives

- The Board reviews the performance of the Fund's investment manager two times per year, including compliance with the Fund's SIP&G.
  - The Board received the investment performance review and investment manager evaluation at its meetings of June 25, 2014 and November 25, 2014.
- The Board evaluates the performance of the Fund's investment consultant, actuary, and custodian.
  - The Board is scheduled to receive an evaluation of the performance of the investment consultant for the year ended March 31, 2015 in June 2015;
  - The Board received an evaluation of the performance of the actuary in June 2014; and
  - The Board received an evaluation of the performance of the custodian in November 2014.
- Administration performance is reported to the Board on a quarterly basis.
  - The Board received reports on the administration of the Plan on a quarterly basis throughout 2014-2015.

Risk Management

Within its mandate the Board is responsible for identifying risks that could negatively affect the operation of SPAF, the Fund's annuitants, or their beneficiaries.

Annually, the Board conducts a review to identify potential events and trends that may positively or negatively affect the Board's ability to achieve its operational goals or maintain its operations. These events and trends are defined as risks.

Risk

The potential events and trends that may positively or negatively affect the operation of the Plan, the members or other stakeholders of the Plan or the attainment of operational goals.

The Risk Management Plan and its annual review ensure that a regular, documented process is in place for the management of the Plan's foreseeable risks. Documenting the rationale for arriving at decisions strengthens accountability and demonstrates due diligence.

Risk Management Philosophy:

The Board is committed to creating and maintaining value for the stakeholders of the plan. The Fund faces risks as the Board fulfills this commitment. Therefore, the Board is responsible for managing all foreseeable risks that could affect the operation of the Fund and its stakeholders. Through its risk management process, the Board identifies, measures, monitors and manages these risks in a manner that is consistent with its mandate to administer the Fund.

In order to assist in the identification and assessment all foreseeable risks to the Fund, the Board has identified the following key broad-based risks to the Fund:

- **Strategic Risk** is the risk of failing to meet strategic, business and operational goals and objectives. The Board's operational goals and objectives document the goals of the Board as related to service delivery, communications, governance, accountability, and risk management.
- **Financial Risk** derives from the investment of the Fund's assets, Fund costs, or from fraudulent activity on the part of the Board or its service providers.
- **Operational Risk** is related to the performance of the Board's service providers in the operation of the Fund.
- **Regulatory Risk** arises from non-compliance with legislation, fiduciary obligations and the legal requirements of pension plan management.

The Board believes that these broad-based risks are interrelated. The Board thus recognizes that it must retain a balanced approach in the management of all four types of risk.

Risk Management

The Board manages the identified risks to the Plan by employing a number of strategies. These strategies include the following:

- Annually reviewing the Fund's Statement of Investment Policies and Goals (SIP&G);
- Retaining service providers to conduct independent monitoring of the compliance of the Fund's investment manager with the SIP&G;
- Establishing performance measures and benchmarks for investment and administration service providers;
- Setting and monitoring annual budgets for the administration of the Fund;
- Annually reviewing the performance of all service providers;
- Ensuring that all service providers maintain business continuation plans to ensure the continuation of service to annuitants in the event of a disaster;
- Maintaining a training and development policy for Board members; and
- Retaining service providers who are experts in the responsibilities to which they are assigned with respect to the Fund.

The Risk Management Plan is a systematic and integrated approach to risk management. It focuses on the importance of risk communication and risk tolerance. It emphasizes the importance of people and leadership and the need to consider risk management at every level of operation.

As it is important to monitor and reassess the risks of the Fund regularly, the Board reviews the Risk Management Plan on an annual basis.

Annuity Fund

Investment of Funds

The Board is responsible for holding in trust and investing the monies in the Fund. The Board has retained Greystone Managed Investments Inc. as its investment manager.

Greystone Managed Investments Inc. continues to manage an immunized bond portfolio (see objectives below).

The investment manager makes day-to-day decisions of whether to buy or sell specific investments in order to achieve the long-term investment performance objectives set by the Board. It is these long-term investment performance objectives that the Board uses to assess the performance of the investment managers.

The investment objectives are:

- to structure the investment portfolio so that the Fund's liabilities are immunized against changes in the level of interest rates;
- to provide sufficient liquidity to ensure payment to retired members when due; and
- to ensure long-term solvency.

To achieve those objectives, the assets of the Fund should be invested so that:

- the duration of the investment portfolio is matched with the duration of the liabilities on an ongoing basis. The matching should fall within a band of -0.5 to +0.5 years of the duration target;
- the portfolio includes sufficient short-term investments to meet liquidity needs; and
- the present value of the asset cash flow stream exceeds the present value of expected liability payments.

The Board has retained RBC Investor Services Ltd. as the custodian of the Fund. The custodian is responsible for custody of all financial assets of the Fund (in the name of the Saskatchewan Pension Annuity Fund). The custodian settles all investment transactions. The custodian also ensures that investment income (i.e., dividends, interest) is collected and provides financial information for all investment transactions.

The Board engages the services of an asset consultant to provide advice on the overall management of the Fund's investments and on the measurement of the Fund's performance. Aon Hewitt provides this service to the Board.

Fund Administration

The Board has delegated the day-to-day administration of the Fund and management of its assets to PEBA. The cost for this is charged to the Fund.

PEBA is a branch of the Ministry of Finance. PEBA administers a wide range of pension and benefit plans.

Under agreement with the Board, PEBA provides all services required to operate, administer and manage the Fund in a manner consistent with and according to all statutory provisions and regulations that apply to the Fund. PEBA reports measurement against standards to the Board quarterly. *Table 1.2* provides measurement results for the 2014-2015 year.

PEBA also provides Senior Executive Officer services and Executive Secretary services to the Board.

In 2014-2015, the Board paid PEBA $187,000 for administrative services.

Annuities

During the 2014-2015 fiscal year the Fund paid a total of $15,486,000 in annuities to 1,956 members or spouses of members.

Figure 1.1 shows the number of annuitants and beneficiaries receiving survivor benefits in the Fund as of the current year-end.

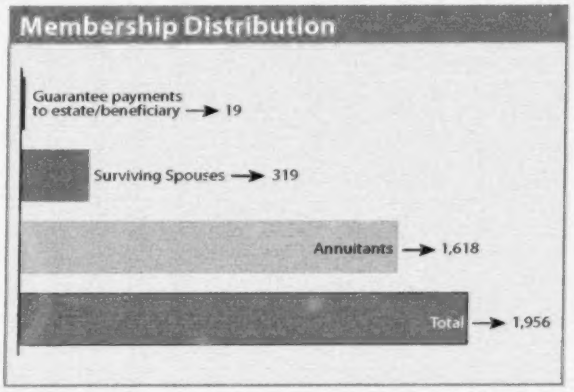

Figure 1.1

PEBA Service Standards April 1, 2014 to March 31, 2015

Task	Completed	Number that Meet or Exceed Standard	% that Meet or Exceed Standard	Standard* (Days)	Statutory Requirement** (Days)
Statement on retirement	28	25	89.3	5	90
Statement on death	80	69	86.3	10	90
Payment of death benefits	5	3	60.0	4	-
Annuity estimates for PEPP members	605	484	80.0	5	-
Spousal break down calculations	0	0	N/A	5	-
Written correspondence ***	Not measured	Not measured	N/A	5	-
Total	718	581	80.9	-	

* Standard is set within "Schedule A" of the agreement between the Board and PEBA.
** Statutory Requirement is a compliance standard within *The Pension Benefits Act, 1992* and *Regulations, 1993*.
*** The majority of written correspondence is received by Inquiry e-mail. The Inquiry e-mail receipts and responses are monitored daily.

Table 1.2

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

The Saskatchewan Pension Annuity Fund Board consists of three people, a Chairman and two other members, each appointed by the Minister. The Board is responsible for financial administration, administration of the funds and management of assets.

The financial statements which follow have been prepared by management in conformity with Canadian accounting standards for pension plans as outlined in the CPA Canada Handbook Section 4600, Pension Plans. For matters not addressed in Section 4600, International Financial Reporting Standards (IFRS) have been followed. Management uses internal controls and exercises its best judgment in order that the financial statements fairly reflect the financial position of the Plan.

The present value of annuities is determined by an actuarial valuation. Actuarial valuation reports require best estimate assumptions about future events, which require approval by management.

The financial statements have been audited by the Provincial Auditor whose report follows.

Regina, Saskatchewan
June 22, 2015

Dave Wild
Associate Deputy Minister
Public Employees Benefits Agency
Ministry of Finance

Actuarial Opinion

With respect to the *Saskatchewan Pension Annuity Fund*, I have prepared an actuarial valuation as at March 31, 2015, for the purpose of determining the necessary actuarial information for financial statement reporting purposes in accordance with the Joint Policy Statement of the CIA and the CPA Canada.

In my opinion, for the purpose of this actuarial valuation:

- the membership data on which this valuation is based are sufficient and reliable;
- the assumptions are appropriate; and
- the calculations have been made in accordance with my understanding of the the Canadian Institute of Actuaries and the Chartered Professional Accountants of Canada.

This report has been prepared and this actuarial opinion has been given in accordance with accepted actuarial practice.

Nonetheless, emerging experience differing from the assumptions will result in gains or losses which will be revealed in subsequent valuations.

David R. Larsen, FSA, FCIA
Aon Hewitt

April 24, 2015

Saskatchewan Pension Annuity Fund Board

Saskatchewan Pension Annuity Fund

Financial Statements

Year Ended March 31, 2015

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Saskatchewan Pension Annuity Fund, which comprise the Statement of Financial Position as at March 31, 2015, and the Statement of Changes in Net Assets Available for Benefits, and Statement of Changes in Provision for Annuity Obligations for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Saskatchewan Pension Annuity Fund as at March 31, 2015, and the changes in its net assets available for benefits and the changes in its provision for annuity obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Regina, Saskatchewan
June 22, 2015

Judy Ferguson, FCPA, FCA
Provincial Auditor

Saskatchewan Pension Annuity Fund
Statement of Financial Position

Statement 1

As At March 31

(in thousands)

	2015	2014
Assets		
Investments (Note 4)		
Short-Term	$ 10	$ -
Bonds and Debentures	172,089	160,945
Investments Under Securities Lending Program	33,434	27,788
	205,533	188,733
Receivables		
Accrued Investment Income	1,925	2,007
Early Retirement Benefits Receivable from Employer	1	354
	1,926	2,361
Due from General Revenue Fund (Note 5)	290	35
Total Assets	207,749	191,129
Liabilities		
Administrative Expenses Payable	112	514
Provision for Annuity Obligations (Note 6)	207,793	185,968
Total Liabilities	207,905	186,482
Net (Deficit) Assets Available For Benefits (Statement 2)	$ (156)	$ 4,647

(See accompanying notes to the financial statements)

Saskatchewan Pension Annuity Fund **Statement 2**
Statement of Changes in Net (Deficit) Assets Available for Benefits

Year Ended March 31

(in thousands)

	2015	2014
Increase in Assets		
Transfers from Designated Plan	$ 6,858	$ 12,018
Interest Income	6,904	7,095
Change in Provision for Annuity Obligations (Note 6)	-	4,112
Change in Fair Value of Investments	19,136	-
Total Increase in Assets	32,898	23,225
Decrease in Assets		
Change in Provision for Annuity Obligations (Note 6)	21,825	-
Annuities	15,486	15,029
Administration (Note 7)	390	347
Change in Fair Value of Investments	-	7,010
Total Decrease in Assets	37,701	22,386
(Decrease) Increase in Net Assets	(4,803)	839
Net Assets Available for Benefits, Beginning of Year	4,647	3,808
Net (Deficit) Assets Available for Benefits, End of Year (Statement 1)	$ (156)	$ 4,647

(See accompanying notes to the financial statements)

Saskatchewan Pension Annuity Fund **Statement 3**
Statement of Changes in Provision for Annuity Obligations

Year Ended March 31

	(in thousands)	
	2015	**2014**
Provision for Annuity Obligations, Beginning of Year	$ 185,968	$ 190,080
Increase in Provision for Annuity Obligations:		
Interest on Previous Liabilities and Payments	6,248	5,669
Liability for New Annuities Purchased	6,442	10,909
Fund Experience Loss	-	1,096
Change in Mortality Assumption	4,003	
Change in Discount Rate Assumption	20,442	-
	37,135	17,674
Decrease in Provision for Annuity Obligations:		
Annuity Payments Made	14,531	14,092
Fund Expenses Paid	349	338
Fund Experience Gain	430	389
Change in Discount Rate Assumption	-	6,967
	15,310	21,786
Provision for Annuity Obligations, End of Year (Note 6)	$ 207,793	$ 185,968

(See accompanying notes to the financial statements)

March 31, 2015

1. Description of Fund

The Saskatchewan Pension Annuity Fund (Fund) is established under *The Saskatchewan Pension Annuity Fund Act* (Act). The Act establishes the Saskatchewan Pension Annuity Fund Board (Board) to administer the Fund. The day-to-day administration is provided by the Public Employees Benefits Agency (PEBA).

The purpose of the Fund is to provide annuities to members of designated pension plans. Currently, the only designated pension plan is the Public Employees Pension Plan (PEPP). Members of a designated plan may, upon retirement, elect to receive an annuity from the Fund, as an alternative to purchasing an annuity from a private company that issues annuities. Those electing to receive an annuity from the Fund transfer their accumulated contributions and investment income from their designated plan to the Fund at the time of retirement.

Subsection 5(7) of the Act requires any amount by which the liabilities of the Annuity Fund exceed the assets of the Fund to be a charge on, and a payable out of, the General Revenue Fund. As the annuities payable are long-term liabilities, and management does not expect to require funding to meet their current obligations, the Fund has not recorded any amount as a receivable from the General Revenue Fund.

2. Basis of Preparation

a) Statement of Compliance

The financial statements for the year ended March 31, 2015 have been prepared in accordance with the Canadian accounting standards for pension plans as outlined in the CPA Canada Handbook Section 4600, *Pension Plans*. For matters not addressed in Section 4600, International Financial Reporting Standards (IFRS) have been followed.

These financial statements were authorized and issued on June 22, 2015.

b) Basis of Measurement

The financial statements have been prepared on the historical cost basis except for financial instruments which have been valued at fair value.

c) Functional and Presentation Currency

These financial statements are presented in Canadian dollars, which is the Fund's functional currency, and are rounded to the nearest thousand dollars unless otherwise stated.

3. Significant Accounting Policies

The accounting policies considered significant are as follows:

a) Basis of Accounting

These financial statements are prepared on the going-concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity independent of the sponsor and Fund members. They are prepared to assist Fund members and others in reviewing the activities of the Fund for the fiscal period but they do not portray the funding requirements of the Fund or the benefit security of individual Fund members.

b) Investments

Investments are stated at fair value. The change in the fair value of investments at the beginning and end of each year is reflected in the statement of changes in net (deficit) assets available for benefits as change in fair value of investments.

Fair value of investments is determined as follows:

Short-term investments are valued at cost which, together with accrued investment income, approximates fair value given the short-term nature of these investments.

Bonds and debentures are valued at year-end quoted prices from recognized security dealers.

c) Investment Income and Investment Transactions

Investment income is recorded on the accrual basis. Investment transactions are recorded on the trade date.

d) Provision for Annuity Obligations

The provision for annuity obligations represents the present value of the annuities underwritten and is determined pursuant to an annual actuarial valuation.

Any resulting change in the provision for annuity obligations pursuant to the valuation is recognized in the statement of changes in net assets available for benefits.

e) Future Accounting Policy Changes

Certain new standards, amendments to standards and interpretations, are not yet effective for the year ended March 31, 2015, and have not been applied in preparing these financial statements. In particular, IFRS 9, Financial Instruments, which has an effective date of adoption of January 1, 2018. The extent of the impact of adoption of this standard is not known at this time, but is not expected to be material.

f) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the accounting period in which they are determined. The most significant estimation process is related to the actuarial determination of the provision for annuity obligations (Note 6).

g) Financial Assets and Liabilities

Financial assets classified as held-for-trading are measured at fair value and changes in fair value are recognized in the statement of changes in net (deficit) assets available for benefits. Investments and Due from General Revenue Fund are designated as held for trading. For Due from General Revenue Fund, its fair value is determined at cost which approximates market value.

Receivables and administrative expenses payable are measured at amortized cost. Due to their short-term nature, the amortized cost of these instruments approximates their fair value.

4. Investments

The carrying values of the Fund's investments are as follows:

	(in thousands) 2015	2014
Short-term	$ 10	$ -
Bonds and Debentures	172,089	160,945
	$ 172,099	$ 160,945
Investments Under Securities Lending:		
Bonds and Debentures	33,434	27,788
	$ 205,533	**$ 188,733**

Short-term Investments

Short-term investments were comprised of treasury bills and notes with effective rates of 0.5 per cent (2014- nil) and an average remaining term to maturity of 79 days (2014-nil). The Fund's investment policy states that short-term investments must meet a minimum investment standard of "R1" as rated by a recognized credit rating service.

Bonds and Debentures

The Fund's investment policy states that federal and provincial government bonds and debentures must meet a minimum quality standard of BBB as rated by a recognized credit rating service. No more than 15 per cent of the par value of the bond portfolio may be invested in BBB rated bonds. No more than 10 per cent of the market value of the bond portfolio may be invested in corporate bonds. At March 31, 2015, the Fund held 0.98 per cent (2014 – 1.03 per cent) of the market value of bonds and debentures in corporate bonds. The minimum credit rating for corporate bonds is "A" or equivalent as rated by a recognized credit rating service. See note 8 for information on credit ratings for bonds and debentures held.

2015 (in thousands)

Years to Maturity	Federal	Provincial	Corporate	Total Market Value	Coupon Rate	Effective Interest Rate
Under 1	$ 2,148	$ 5,697	$ -	$ 7,845	0.00% - 11.25%	4.25%
1 to 5	7,015	31,062	1,217	39,294	0.00% - 10.00%	3.04%
5 to 10	15,780	27,994	790	44,564	0.00% - 10.50%	3.95%
Over 10	14,680	99,140	-	113,820	0.00% - 8.50%	3.15%
Market Value	$ 39,623	$163,893	$ 2,007	$ 205,523		

2014 (in thousands)

Years to Maturity	Federal	Provincial	Corporate	Total Market Value	Coupon Rate	Effective Interest Rate
Under 1	$ 555	$ 5,704	$ -	$ 6,259	0.00% - 7.50%	4.54%
1 to 5	9,843	26,868	-	36,711	0.00% - 11.25%	3.62%
5 to 10	14,014	30,047	1,949	46,010	0.00% - 10.50%	4.04%
Over 10	14,722	85,031	-	99,753	0.00% - 9.00%	3.57%
Market Value	$ 39,134	$147,650	$ 1,949	$ 188,733		

Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Fair Value

The Fund has classified its required fair-valued financial instrument holdings using a hierarchy that reflects the significance of the inputs used in determining their measurements.

Under the classification structure, financial instruments recorded at unadjusted quoted prices in active markets for identical assets and liabilities are classified as Level 1. Instruments valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly are classified as Level 2. Instruments valued using inputs that are not based on observable market data are classified as Level 3.

The following table classifies the Fund's required financial instruments within a fair value hierarchy:

2015 (in thousands)

	Level 1	Level 2	Level 3	Total
Bonds and Debentures	$ -	$205,523	$ -	$205,533
Short-term	-	10	-	-
Total	$ -	$205,533	$ -	$205,533

2014 (in thousands)

	Level 1	Level 2	Level 3	Total
Bonds and Debentures	$ -	$188,733	$ -	$188,733
Short-term	-	-	-	-
Total	$ -	$188,733	$ -	$188,733

5. Due from General Revenue Fund

The Fund's bank accounts are included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan.

The Fund's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis to the Fund's bank accounts using the Government's thirty-day borrowing rate and the Fund's bank account balance. The Government's average thirty-day borrowing rate for the current year was 0.92 per cent (2014 – 1.02 per cent).

6. Provision for Annuity Obligations

The actuarial present value of the provision for annuity obligations was determined using the administrator's best estimate of future investment performance and inflation. An actuarial valuation was performed as at March 31, 2015 by Aon Hewitt (the next valuation will be required effective March 31, 2016). The assumptions used in determining the actuarial present value of annuities payable were:

	2015	2014
Discount Rate	2.40%	3.50%
Mortality Table	CPM 2014 Private with size adjustment factors	95% of UP94
Expense Allowance	2.4% of annuities payable	2.4% of annuities payable

Actual results may vary significantly from the assumptions used. It is reasonably possible, based on existing assumptions, that change in future conditions in the near term could require a material change in the annuity obligations. A one per cent increase in the discount rate would decrease the obligations $18.7 million (2014 - $15.6 million) and a one per cent decrease in the discount rate would increase the obligations $22.1 million (2014 - $18.3 million).

The expected cash inflows from investment income and disposal of investments at maturity and the expected cash outflows to pay the annuities and administration expenses are calculated using the previously referenced assumptions. The expected net cash flows are based on actual dollar forecasts without any provision for inflation and they do not allow for future annuitants. The estimated net cash inflows/ (outflows) for the next five years are $3.58 million, for the next 10 years ($0.2) million and for the next 30 years $0.47 million. The expected duration for investments is 9.56 years and for the provision for annuity obligations is 9.77 years.

7. Administration Expenses

(in thousands)

	2015		2014	
	Budget	Actual	Budget	Actual
Administration Costs	$ 304	$ 187	$ 227	$ 199
Custodial Fees - RBC Dexia Investment Services Trust	6	10	6	4
Investment Management Fees – Greystone Managed Investments Inc.	159	193	154	144
	$ 469	$ 390	$ 387	$ 347

8. Financial Risk Management

The nature of the Fund's operations results in a statement of financial position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (interest rate risk) and liquidity risk.

Significant financial risks are related to the Fund's investments. These financial risks are managed by having an investment policy, which is approved annually by the Board. The investment policy provides guidelines to the Fund's investment managers for the asset mix of the portfolio regarding quality and quantity of investments. The asset mix helps to reduce the impact of market-value fluctuations by requiring investments in different asset classes and in domestic and foreign markets. The Board reviews regular compliance reports from its investment managers as to their compliance with the

Credit Risk

Credit risk is the risk that one party does not pay funds owed to another party. The Fund's credit risk arises primarily from two distinct sources: accounts receivable and investments. The maximum credit risk to which it is exposed at March 31, 2015 is limited to the carrying value of the financial assets summarized as follows:

	(in thousands) 2015	2014
Receivables	$ 1,926	$ 2,361
Investments	205,533	188,733
Due from General Revenue Fund	290	35

Accounts receivable are primarily made up of accrued investment income. Accrued investment income is received on the next scheduled payment date, generally either annually or semi-annually.

Credit risk within investments is related to short-term investments, bonds and debentures. It is managed through the investment policy that limits fixed-term investments to those of high credit quality (minimum rating for bonds, BBB, and for short-term investments is R-1) along with limits to the maximum notional amount of exposure with respect to any one issuer.

Credit rating for bonds and debentures are as follows:

(in thousands)

	2015		2014	
Credit Rating	Fair Value	Makeup of Portfolio (%)	Fair Value	Makeup of Portfolio (%)
AAA	$ 55,645	27.08%	$ 56,811	30.10%
AA	104,599	50.89%	90,767	48.09%
A	45,279	22.03%	41,155	21.81%
	$ 205,523	100.00%	$ 188,733	100.00%

Within bond and debentures, there are no holdings from one issuer, other than the Government of Canada or a Canadian province, over 0.59 per cent of the market value of the combined bonds and debentures and short-term investment portfolios. No one holding of a province is over 4.14 per cent of the market value of the investment portfolio.

Market Risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates and foreign exchange rates. Market risk primarily impacts the value of investments.

Interest Rate Risk

The Fund is exposed to changes in interest rates in its fixed income investments, consisting of short-term investments and bonds and debentures. Duration is a measure used to estimate the extent market values of fixed income instruments change with changes in interest rates. Using this measure, it is estimated that a 100 basis point change in interest rates would change net assets by $19.2 million at March 31, 2015 (2014 - $16.8 million); representing 9.3 per cent of the

Securities Collateral

At March 31, 2015, no Fund assets have been deposited or pledged as collateral or margin. As part of the Fund's securities lending strategy, collateral has been pledged to the Fund by various counterparties for securities out on loan to the counterparties. At March 31, 2015, the total amount of collateral pledged to the Fund amounted to $35.1 million (2014- $29.3 million).

Security lending obtains collateral of at least 105 per cent of the market value of the securities lent. Such loans must be secured by cash and/or readily marketable government bonds, treasury bills and/or letters of credit, discount notes and banker's acceptances of Canadian chartered banks.

Liquidity Risk

Liquidity risk is the risk that the Fund is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows.

9. Related Party Transactions

All Government of Saskatchewan agencies such as ministries, corporations, boards and commissions are related since all are controlled by the Government. Also, the Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences. These financial statements include expenses associated with administering the Fund and are paid to the PEBA Revolving Fund. Related party transactions with the Fund are in the normal course of operations and are recorded at exchange amounts agreed to by the parties to the transactions.

The Fund holds $991,408 (2014 - $969,970) Province of Saskatchewan Bonds and Debentures with a yield of 0.74 per cent (2014 – 1.41 per cent). Investment income including change in the market value of $21,438 (2014 - $18,284) was recorded from the Province of Saskatchewan Bonds and Debentures.

At year-end, the Fund has an accounts payable to the PEBA Revolving Fund of $17,149 (2014 – $21,626).

Section 47.5 of the *Superannuation (Supplementary Provisions) Act* authorizes employers to provide early retirement benefits to eligible employees. The Fund pays these early retirement benefits to retired members of the Public Employees Pension Plan on behalf of employers. During the year, the Fund provided early retirement benefits of $17, 220 and received $17,220 reimbursement from the employer. These transactions are included in the statement of changes in net assets available for benefits under annuities.

Other transactions with related parties and amounts due to or from them are described separately in the financial statements and notes.

10. Capital Management

The Fund receives new capital from employee contributions. The Fund also benefits from income and market-value increase on its invested capital. The Fund's capital is invested in long-term bonds and short-term instruments. The Minister has delegated the operational investment decisions to Greystone Managed Investments Inc. as defined in the Fund's Statement of Investment Policy and Procedures.